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SUBJECT: CHILE SUPPORTS U.S. GOALS FOR APEC INCLUDING LONG-TERM GOAL OF ASIA-PACIFIC FTA

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**¶1.** SUMMARY. The U.S. Senior Official to APEC, Ambassador Michael Michalak, visited Chile March 12-14. There is general convergence between U.S. and Chilean goals for APEC. Senior GOC officials described APEC as very important to Chile. The GOC strongly supports the long-term goal of an overarching FTA for the Asia-Pacific region but understands the importance of a successful conclusion to the Doha Round first. The GOC supports the U.S. goals to strengthen APEC's institutions and to maintain the membership moratorium for now. Once the moratorium is lifted, Chile is interested in seeing Colombia join. Chile would like to see Peru's APEC year in 2008 be successful and is prepared to do whatever it can to be helpful. End Summary.

**¶2.** (U) U.S. Senior Official to APEC Ambassador Michael Michalak visited Chile March 12-14. He met with senior MFA trade negotiator Carlos Furche, Chile's Senior Official to APEC German King and Deputy Foreign Minister Van Klaveren, as well as academics, students and the press. He was accompanied by WHA/EPSC Deputy Director Matthew Rooney.

#### Chilean Support for U.S. APEC Goals

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**¶3.** Ambassador Michalak discussed U.S. priorities for APEC with Ambassador Carlos Furche, the Director General of the MFA's Economic Directorate (DIRECON) and Chile's lead trade negotiator. Michalak told Furche while the primary U.S. trade goal was a successful conclusion to the Doha Round negotiations, the U.S. supported a Free Trade Agreement for the Asia-Pacific region (FTAAP) as a long-term goal. Michalak listed items on the U.S. agenda for APEC in 2007 as a more robust agenda on intellectual property rights, completed model measures which could serve as FTAAP building blocks, continued work on security issues, and assistance to Peru as it prepared to host APEC in 2008.

**¶4.** Furche underscored Chile's strong commitment to APEC. He said Chile supported the model measures initiative and the concept of an FTAAP, especially with Doha apparently stalled. The GOC was prepared to help Peru host the APEC summit in 2008 and had offered its assistance. He said Chile supported Colombia's strong interest in joining APEC. At one point, Furche said Colombia was clearly obsessed with joining APEC. However, he realized the moratorium on new members would need to stay in place until APEC institutional reforms were complete.

**¶5.** Furche continued that Chile fully agrees with the U.S. effort to re-focus APEC on trade and investment issues. The GOC also shares the U.S. interest in strengthening APEC's institutions. Chile would also like to see APEC decisions be more binding. Chile, like the U.S., sees the model measures as building blocks for a future FTA among APEC members. Michalak responded the trend was towards APEC decisions being binding, which meant that it was more important than

ever to improve the organization's institutions.

#### Chile Ready to Help Peru's APEC Year

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¶ 6. Ambassador Michalak met with Chile's APEC team headed by German King, who after years of being Chile's acting Senior Official to APEC, now officially holds that title. King opened by saying Chile was prepared to help Peru logically and substantively host the APEC summit in 2008. King thought that President Garcia was likely to base the agenda on domestic issues such as anti-corruption and social responsibility, areas where Chile could offer real help. However, Peru had not yet responded to Chile's offer of assistance, and it was unclear in the end how Peru would frame its agenda.

¶ 7. Michalak told King that Peru's agenda items would likely include small and medium enterprises, anti-corruption and public-private partnerships. King said Chile had met with every APEC member in planning its own year (in 2004) to develop the agenda. Michalak said Peru was moving ahead on some issues and had expressed interest in an education ministerial. Korea had expressed a similar interest and so the U.S. had suggested a compromise: a planning seminar in Korea followed by the education ministerial in Peru.

#### Chile's Ultimate Focus is on APEC FTA

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¶ 8. Michalak spoke with Deputy Foreign Minister Van Klaveren about Chile's interest in a FTAAP. Michalak said the U.S. had been initially skeptical of an FTAAP but as a long-term goal we supported it. That being said, the U.S. was aware that some in APEC remained unsure of the viability of the FTA concept but, in general, the idea enjoyed solid support. In the near term, the U.S. wanted to see institutions strengthened and the APEC agenda re-focused on trade and investment.

¶ 9. Van Klaveren said Chile shared the U.S support for an APEC-wide FTA and a renewed emphasis on trade and investment. He said any FTA

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would take a long time to negotiate but that it was better to remain ambitious than complacent. Michalak explained the U.S. had reviewed various frameworks for Asia and concluded APEC offered the best vehicle for economic integration. To that end, the U.S. was pushing a reform agenda which, while off to a good start, would require several more years. The U.S. envisioned a beefed up Secretariat and more resources. The U.S. planned to double its contribution to APEC to USD 5 million annually. The U.S. supported maintaining the moratorium until reforms were completed.

¶ 10. Van Klaveren described APEC as "very important" to Chile. Chile had limited relations with Asia before joining APEC. Since joining the change in relations had been dramatic but more obviously economic than political -- Asia was now the main regional destination for Chilean exports. On the political side, APEC membership had helped Chile deepen its bilateral ties with a number of countries in Asia. Chile was interested in an FTAAP and agreed the model measures were good building blocks for it. Van Klaveren said Chile had a great deal of FTA experience to share. Chile had followed a bilateral road in its trade relationships simply because this was faster. The multilateral approach offered by an FTAAP would be more efficient and the prime long-term goal for Chile in Asia.

#### Comment

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¶ 11. There is broad consensus in Chilean society about the importance of Asia to Chile's future. In the GOC, this is reflected in the wide spectrum of trade agreements Chile has with Asian partners - New Zealand, Singapore, Brunei, Korea, China and now Japan, with Australia and Thailand on the horizon. The GOC's commitment to APEC is another sign of Chile's focus on Asia. We can expect Chile to continue to take a constructive, pro-active approach to APEC that will largely support U.S. priorities. And when the time comes to negotiate an overarching FTA for the Asia-Pacific region, Chile will

be ready, willing and able to help the U.S. achieve this goal as well.

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